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## Mexico

### Agricultural Situation

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1], [MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

**DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.**

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### **SENATE STOPS MEASURE TO POSTPONE 2003**

The Senate intention of postponing by one year the lowering of agricultural import duties under the Free Trade Agreement of North America (NAFTA) was only a good wish. After meeting the entire day with officials of the Secretariat of Economy (SE), lobbyists from the agricultural private sector, as well as of diplomats of the Embassy of the United States in Mexico, the senators issued a text that was integrated as a transitory article in the Income Law. The text mentions that the farming sector lives in an "emergency situation", and for that reason the executive branch will have to strictly monitor the development of certain agricultural imports from the United States and Canada in 2003. "When an increase in U.S. or Canadian imports occurs in comparison with the previous year, which damages or could damage domestic product, the executive branch will immediately initiate a safeguard investigation into unfair trade practices, in accordance with the Foreign Trade Law," the article indicates. The products to be monitored are as follows: animal fats and oils; barley; malt; whole fresh, chilled and frozen chicken; whole fresh, chilled and frozen turkey; chicken MDM; pork hams, legs, cuts and carcass; potatoes. Under NAFTA, the import duties of these products will be eliminated on January 1, 2003. (Source: El Financiero; 12/13/2002).

### **FOX DECLARES NAFTA A SUCCESS**

While campesinos opposed to the North American Free Trade Agreement (NAFTA) wreaked havoc in the capital with blockades, cows and firecrackers, President Vicente Fox on Tuesday, December 10, 2003 said Mexico should intensify commercial relations with its northern neighbor. Speaking the day after NAFTA's 10th birthday party was celebrated in Washington, Fox said the trade liberalization accord has been a resounding success. "Now we have to look ahead to the next 10 years, not revel in the achievements of the last 10 years, and that is what we are working out with the United States and Canada: a new vision for the next 10 years," he told a group of international financiers. "We have to further the integration, to expand and strengthen our union," said Fox, a member of the pro-business National Action Party (PAN). However, analysts are divided over whether a decade of NAFTA has benefited the majority of Mexicans. Advocates of the accord point to foreign trade, which shot up from U.S.\$140 billion in 1994 to U.S.\$ 327 billion in 2001, and foreign direct investment which mushroomed to U.S.\$25 billion last year. But NAFTA critics say the flood of cheap U.S. goods has forced many Mexican products out of the domestic market, pushing up unemployment. "It is an asymmetrical treaty that imposes the same conditions on two totally different countries," said Maria Atilano, national coordinator of the Mexican Network Against Free Trade. Atilano and other critics point to the agricultural sector, saying Mexican food producers cannot compete with U.S. farmers, who are given some U.S.\$19 billion a year in subsidies. Mexico's agricultural trade deficit surged to U.S.\$4.3 billion last year. Furthermore, in under three weeks, tariffs on all products except corn, sugar and beans will

be eliminated - a prospect that has caused a wave of protests from campesino groups and farm lobbies. (Source: The News; 12/11/2002)

### **PRESIDENT FOX PROMOTES A NEW VISION OF NAFTA**

At a meeting with the Association of International Financial Institutions, President Fox, indicated that it is essential to promote a new vision of NAFTA for the next decade and not just remain satisfied with the current success. Mr. Fox said that this is what Mexico has been talking and negotiating with the United States and Canada. He added that his government's evaluation of NAFTA is highly positive because it has contributed significantly to the domestic economy, generation of employment, and a balance of trade of 375,000 million dollars. The challenge is to convert that trade balance in concrete results for individual incomes, and fight poverty and low education. (Source: Reforma 12/11/02)

### **MEXICO COULD ESTABLISH SAFEGUARDS ON AGRICULTURAL PRODUCTS**

On December 12, 2002, the Senate approved the inclusion in the 2003 Budget Law of a transitory article that grants power to the executive branch to establish safeguards for different agricultural products in case the United States or Canada fall into antidumping practices. The measure would apply 50 percent tariffs to those products or negotiate the elimination of unfair practices. This modification has to be sent and voted on by the Lower Chamber. The products protected under this measure are: fats and animal oil products, barley, malt, whole poultry, whole turkey, poultry ingredients, ham and ham shoulder, and pork cuts, potatoes and carcass. The Secretariat of Economy will have to monitor these products and turn in a monthly report to the Congress. (Source: Excelsior 12/13/02).

### **AGRICULTURE ARMOR OF THE LOWER CHAMBER**

The Finance Committee of the Lower Chamber approved an article for the 2003 Income Law. This article states that additional tariff rate quotas for U.S. corn, dry edible beans, sugar and milk powder under NAFTA will be charged with an import duty. The executive branch will decide on the exact amount of the import duty to be applied after having consulted with the Mexican Council of Rural Development. This article still has to be voted on by the entire whole of the Lower Chamber. Jeronimo Gutierrez, an official of the Secretariat of Economy stated, however, "it is practically a fact" that this article will be approved by the Lower Chamber. These products will be protected – through duties or TRQ's – under NAFTA up to 2008. (Source: El Financiero; 12/12/2002).

### **PRESIDENT ASSURES FARMERS OF SUPPORT**

On Monday, December 9, 2002, President Vicente Fox assured farmers in Sonora that his government had not abandoned the nation's agricultural producers, and would remain attentive to farmers as Mexico lowers trade barriers next year. "The countryside is a priority, and for those who don't believe, there are distinct actions that prove it," Fox said. Fox said his administration "would not allow unfair trade practices" to affect farmers. Farmers have grown increasingly vocal in calling for a renegotiation of agricultural free-trade accords with the United States and Canada, where farmers receive far more government aid than their Mexican counterparts. Moreover, Fox underlined the four main elements of his government strategy on agriculture: 1) to increase the competitiveness and quality of agriculture production; 2) to bring agriculture growers near the consumers, and to obtain better prices for their products; 3) to promote agricultural credits through the Countryside Capitalization Law and 4) better inter-agency cooperation in the government. (Source: Reforma, El Financiero, El Universal and The News; 12/10/2002).

**NAFTA AUTHORS OPEN SUMMIT TO CELEBRATE 10 YEARS OF FREE TRADE**

The three architects of the NAFTA said that a free trade pact for the Western Hemisphere is the logical next step. Former President George Bush, former Canadian Prime Minister Brian Mulroney and former Mexican President Carlos Salinas de Gotari, who were in office when NAFTA was negotiated, reunited Monday, December 9, 2002 to open a conference marking the 10th anniversary of its signing. Bush and the two other NAFTA leaders agreed that their economies were doing better under NAFTA. Canadian exports to Mexico and the United States increased 95 percent and Mexico has surpassed Japan as the United States' No. 2 trading partner, Mulroney said. But some Latin American countries have complained the United States has not been doing enough to open up certain markets, particularly agricultural ones, in the hemispheric trade talks. Mulroney agreed that opening agricultural markets was necessary for the hemispheric trade agreement to work. Negotiators "need to guarantee access to our markets for the exports that matter most for our partners, particularly the export of agricultural commodities," said Mulroney, who held office from 1984-93. "The rich countries pay out more than 300 billion dollars a year in farm subsidies, thereby ... killing off any hope for developing countries to compete fairly," Mulroney said. A poll commissioned by the Woodrow Wilson International Center for Scholars, which organized the conference, found that almost half of Americans believe the United States has been a winner in the agreement. But in Mexico, 52 percent believe they were losers in NAFTA and 47 percent of Canadians feel their country was the loser.

(Source: The News; 12/10/2002).

**GOVERNORS CONFERENCE AGREES TO NOT OPEN NAFTA**

The National Conference of Governors (CONAGO) agreed to analyze the viability of not renegotiating the agricultural chapter of NAFTA. This proposal was submitted by the Governor of the State of Mexico, Arturo Montiel, during a meeting held at Colima on Sunday, December 8, 2002. The CONAGO members recognized that currently Mexico's trade balance with the U.S. shows a surplus of U.S.\$25.0 billion. Also, the governors of Baja California Sur, Durango, Guerrero, Hidalgo, State of Mexico, Michoacán, Oaxaca, Puebla, San Luis Potosí, Tabasco, Tlaxcala, Quintana Roo, Veracruz and Zacatecas, as well as the representatives of Chiapas, Chihuahua, Mexico City and Sonora, said that they will insist on increasing the federal budget for education, health and the countryside. Arturo Montiel stated that it was not advisable to reopen NAFTA's agricultural chapter, because of Mexico's trade surplus with the United States. Moreover, he said, in order to face the 2003 agricultural opening, it is necessary to increase the efficiency of the market mechanisms and to stimulate the internal market. (Source: El Sol de Mexico; 12/9/2002).

**FOX AGAINST NAFTA RENEGOTIATION; FOR SAFEGUARDS**

President Fox said he would not seek the renegotiation of NAFTA to protect the Mexican agricultural sector because this would not be convenient for Mexico. President Fox met with local agriculture producers in Sonora, where he promised the implementation of special measures to protect Mexican farmers from the tariffs' elimination in 2003. (Source: Universal, Financiero, Jornada, Milenio; 12/10/02).

**USABIAGA PREDICTS 2003 WILL HAVE MINIMAL IMPACT ON AG SECTOR**

Agriculture Secretary Javier Usabiaga minimized the impact of the agriculture tariffs' elimination on Mexican agriculture in 2003 by saying "nothing would happen." (Source: Reforma; 12/10/02).

**NAFTA POSITIVE FOR MEXICO, STATES DERBEZ**

Economic Secretary Ernesto Derbez said that in spite certain operational problems - especially those regarding agriculture - NAFTA had been very positive for Mexico. (Source: Financiero; 12/10/02).

**ECONOMISTS, ACADEMICS, GOVERNMENT, DIFFER ON BENEFITS OF NAFTA**

Joseph Stiglitz, the 2001 Nobel Prize Winner for Economics, said that former Mexican President Carlos Salinas was correct to attribute Mexico's 1995 economic recovery to NAFTA, not to the IMF. In a contrasting article, Enrique Dussel, an economic researcher, said that NAFTA could not evolve any more as a trade agreement, and that it was a flawed treaty from the beginning because it was signed by an authoritarian government. On the other hand, U.S. and Mexican academics and former government officials involved with the signing of NAFTA said the trade agreement had been successful, but that there was still a lot of work pending. Sidney Weintraub said that in spite of certain flaws, NAFTA continued to work for the region. (Source: Universal; 12/10/02; Reforma; 12/11/02).

**SALINAS DEFENDS NAFTA AND FOX'S DESIRE FOR MIGRATION AGREEMENT**

Former President Carlos Salinas said President Fox was right to insist on the negotiation of a migration agreement with the United States. Salinas said the U.S. economy needed migrants' labor and therefore, their rights should be respected and they should be paid accordingly. He said his administration spearheaded one of the most successful economic upswings in the history of Mexico, and NAFTA was his greatest accomplishment. Salinas also said it would be good for Mexico to pursue a free-trade agreement with China. (Source: Reforma; Universal; Financiero, Jornada, Milenio, Televisa; 12/10/02).

**SENATORS DENY PRESSURE FROM THE UNITED STATES**

In the face of lobbying efforts from the Secretariat of Economy and the U.S. Embassy in Mexico to stop the initiative to postpone by one year the elimination of tariffs as mandated under the agricultural chapter of NAFTA, those Mexican senators involved denied that they had succumbed to U.S. pressure. (Source: El Financiero, 12/16/02).

**CONGRESS ACCUSES U.S. OF UNFAIR TREATMENT**

With only 15 days to go before the elimination of tariffs on agricultural products under NAFTA, Mexican congressmen warned that the United States "does not treat us as equals" and "not only does it impose its own conditions on us, but is also threatens us." Under these conditions, the "supposed partnership" between Mexico and the United States "cannot continue and if it is not corrected, a break will be inevitable", warned the President of the Special Commission for Livestock, Arturo de la Garza. (Source: Milenio; 12/15/02).

**LACK OF SUSTAINABLE GROWTH, POVERTY, RESULTS OF NAFTA**

Although the Economy Secretariat praised the benefits of NAFTA, the Mexican Action Network on Free Trade has indicated that the NAFTA has failed to bring about sustainable growth, and has increased poverty. (Source: La Jornada; 12/13/02).

**CONTINUED CALLS FOR NAFTA RENEGOTIATION**

Mexico's Ambassador before the European Union Porfirio Munoz Ledo said he continues to believe that the NAFTA should be revised, and that Mexico should turn to Europe as a counterbalance to the U.S. (Source: El Universal; 12/13/02).

### **FARMERS GROUP PROPOSES LIMITING U.S. FOOD PURCHASES**

The National Association of Commercial Farm Producers (ANEC), along with 11 other farmers associations, presented a proposal to limit purchases of food products from the United States and Canada. (Source: Financiero; 12/10/02).

### **WORKERS GROUP BLAMES AG CRISIS ON MISGUIDED GOM POLICIES**

Jorge Espina, president of the Mexican Employers Association (COPARMEX), said he agreed with former President Salinas that NAFTA had promoted Mexico's economic development, and that the agricultural crisis was the result of misguided policies. (Source: Reforma; 12/10/02).

### **CLAIMS THAT GOM NEGLECTED AGRICULTURAL SECTOR**

Armando Paredes, President of the National Agricultural Council, said there were more grants for farmers during the Salinas administration, but after NAFTA was signed the GOM forgot about agriculture. Similarly, Sonora gubernatorial candidate Eduardo Bours said NAFTA allowed Mexico to become one of the most attractive markets for foreign investment, and that what was prescribed by the agreement regarding agriculture did not cause the Mexican agricultural crisis, which he attributed to the lack of effective GOM support. (Source: Reforma; 12/10/02).

### **BLAME FOR MEXICO'S AGRICULTURAL WOES**

Former PRI presidential candidate Francisco Labastida defended his record as Agriculture Secretary during the Zedillo administration, and accused former President Carlos Salinas of underestimating the impact of NAFTA upon the agricultural sector when he negotiated NAFTA ten years ago. (Source: Reforma; 12/13/02).

### **SOCIAL ILLS USED FOR POLITICAL POSITIONING**

PAN chairman Luis Felipe Bravo charged that the PRI and the PRD are using long standing social problems to destabilize the Fox administration and to gain votes in the coming elections. (Source: Milenio; 12/13/02).

### **LOWER HOUSE APPROVES BILL LOWERING FUEL COSTS FOR AG SECTOR**

The Chamber of Deputies approved the new Energy Law for Agriculture, which intends to stimulate farming by lower gasoline, fuel oil, diesel, and electricity prices. (Source: Reforma; 12/10/02).

### **THE 2003 BUDGET WILL KEEP THE 20% TAX ON BEVERAGES CONTAINING HFCS**

The Senate decided to keep in the 2003 Budget, the 20-percent tax on beverages containing high fructose corn syrup that was voted for the 2002 Budget. This proposal has to be sent and voted on by the Lower Chamber. (Source: Excelsior 12/13/02)

## BORDER SECURITY MEASURES COULD IMPEDE TRADE

According to international trade specialists, the USG "smart borders" project could put the provisions of NAFTA to the test by hindering the free passage of goods between Mexico and the United States. The Department of Homeland Security has argued that new security measures will not affect commerce along the Mexico-United States border. (Source: Reforma; 12/13/02)

## U.S. OFFICIAL CLAIMS EFFECTS OF 2003 ON MIGRATION WILL BE MINIMAL

Deputy U.S. Labor Secretary Thomas Moorhead downplayed predictions that Mexican migration to the United States would increase as a result of the elimination of agricultural tariffs in 2003. Moorhead said any effect would be "temporary," and remarked that trade agreements had helped to improve the economic situation of developing nations. (Source: Reforma; 12/13/02)

## MEXICAN ORANGE PRODUCTION TO DROP

Raymundo Trevino, secretary of the Mexican Association of Citrus Packers, warned that Mexican production of oranges would drop drastically this year, and imports of U.S. oranges would increase due to high temperatures in the growing season this year. (Source: Reforma; 12/12/02).

## SLOW GROWTH FORECAST FOR MEXICAN ECONOMY

According to estimates from the World Bank, the Mexican economy will grow by only 1.3 percent this year, but it could reach 3 percent growth next year. (Source: Universal, Financiero; 12/12/02).

## REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX2167	Weekly Highlights & Hot Bites, Issue #42	12/11/02
MX2168	Mexico Establishes Testing Requirement for Listeria	12/11/02
MX2169	Tomato Annual Report	12/11/02
MX2170	Avocado Annual Report	12/13/02
MX2171	Abastur 2002 End of Show Report	12/17/02

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